

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

VILLAGE OF REESE

Tuscola County, Michigan

FINANCIAL STATEMENTS

March 31, 2007

VILLAGE OF REESE

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities	9
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	10
Reconciliation of Fund Balances of Governmental Funds to Net Assets of	
Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balances.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	13
<i>Proprietary Fund:</i>	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	16
<i>Fiduciary Fund:</i>	
Statement of Net Assets	17
Statement of Changes in Net Assets.....	18
Notes to Financial Statements.....	20
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	33
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund.....	34
Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund.....	35
Budgetary Comparison Schedule – Special Revenue Fund – Fire Special Fund.....	36
Other Supplemental Information:	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	38
Detailed Schedule of Expenditures.....	39
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet.....	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	44
<i>Governmental Activities:</i>	
Schedules of Indebtedness	45

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Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Reese, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Reese's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

May 24, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF REESE

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

Overview of the Financial Statements:

The Village of Reese's discussion and analysis is a narrative overview of the Village's financial activities for the fiscal year ended March 31, 2007. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

Government-wide Financial Statements:

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Village's net assets and how they have changed. Net assets – the difference between the Village's assets and liabilities – are one way to measure the Village's financial health.

The government-wide financial statements of the Village are divided into three categories:

Governmental Activities – Most of the Village's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer system is included here.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting tools that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

Governmental Funds – Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Proprietary Funds – Services to which the Village charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

Fiduciary Funds – The Village is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the Village cannot use these assets to finance its operations.

VILLAGE OF REESE

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

Government-Wide Financial Analysis:

The following table shows, in a condensed format, the statement of net assets at March 31, 2007 and 2006:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Current assets	\$ 840,472	\$ 859,068	\$ 127,444	\$ 198,827	\$ 967,916	\$ 1,057,895
Capital assets	<u>1,557,846</u>	<u>1,522,098</u>	<u>1,182,002</u>	<u>610,738</u>	<u>2,739,848</u>	<u>2,132,836</u>
Total assets	<u>2,398,318</u>	<u>2,381,166</u>	<u>1,309,446</u>	<u>809,565</u>	<u>3,707,764</u>	<u>3,190,731</u>
Liabilities:						
Other liabilities	12,107	78,340	350	-	12,457	78,340
Long-term liabilities	<u>132,118</u>	<u>165,024</u>	<u>-</u>	<u>-</u>	<u>132,118</u>	<u>165,024</u>
Total liabilities	<u>144,225</u>	<u>243,364</u>	<u>350</u>	<u>-</u>	<u>144,575</u>	<u>243,364</u>
Net assets:						
Invested in capital assets, net of related debt	1,425,728	1,357,074	1,182,002	610,738	2,607,730	1,967,812
Restricted	214,201	313,278	-	-	214,201	313,278
Unrestricted	<u>614,164</u>	<u>467,450</u>	<u>127,094</u>	<u>198,827</u>	<u>741,258</u>	<u>666,277</u>
Total net assets	<u>\$ 2,254,093</u>	<u>\$ 2,137,802</u>	<u>\$ 1,309,096</u>	<u>\$ 809,565</u>	<u>\$ 3,563,189</u>	<u>\$ 2,947,367</u>

VILLAGE OF REESE

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

Government-Wide Financial Analysis, continued:

The following table shows, in a condensed format, the changes in net assets for fiscal years 2007 and 2006:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Revenues:						
Program revenues						
Charges for services	\$ 208,328	\$ 145,697	\$ 109,709	\$ 105,784	\$ 318,037	\$ 251,481
Operating grants	199,402	183,382	-	-	199,402	183,382
Capital grants	3,000	49,924	497,503	-	500,503	49,924
General revenues						
Property taxes	330,063	308,025	-	-	330,063	308,025
State revenue sharing	138,367	140,710	-	-	138,367	140,710
Investment earnings	31,306	20,864	6,450	4,730	37,756	25,594
Miscellaneous	-	25,740	-	-	-	25,740
Total revenues	<u>910,466</u>	<u>874,342</u>	<u>613,662</u>	<u>110,514</u>	<u>1,524,128</u>	<u>984,856</u>
Expenses:						
General government	148,254	147,866	-	-	148,254	147,866
Public safety	245,980	239,154	-	-	245,980	239,154
Public works	351,100	282,587	-	-	351,100	282,587
Community and economic development	4,366	3,744	-	-	4,366	3,744
Recreation and culture	32,786	32,216	-	-	32,786	32,216
Interest on long-term debt	8,147	9,655	-	-	8,147	9,655
Sewer	-	-	118,100	109,329	118,100	109,329
Total expenses	<u>790,633</u>	<u>715,222</u>	<u>118,100</u>	<u>109,329</u>	<u>908,733</u>	<u>824,551</u>
Excess of revenues over expenses before other	<u>119,833</u>	<u>159,120</u>	<u>495,562</u>	<u>1,185</u>	<u>615,395</u>	<u>160,305</u>
Other items:						
Gain on sale of capital assets	300	12,859	127	-	427	12,859
Transfers	(3,842)	3,842	3,842	(3,842)	-	-
Total other items	<u>(3,542)</u>	<u>16,701</u>	<u>3,969</u>	<u>(3,842)</u>	<u>427</u>	<u>12,859</u>
Change in net assets	<u>116,291</u>	<u>175,821</u>	<u>499,531</u>	<u>(2,657)</u>	<u>615,822</u>	<u>173,164</u>
Net assets, beginning of year	<u>2,137,802</u>	<u>1,961,981</u>	<u>809,565</u>	<u>812,222</u>	<u>2,947,367</u>	<u>2,774,203</u>
Net assets, end of year	<u>\$ 2,254,093</u>	<u>\$ 2,137,802</u>	<u>\$ 1,309,096</u>	<u>\$ 809,565</u>	<u>\$ 3,563,189</u>	<u>\$ 2,947,367</u>

VILLAGE OF REESE

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

The Village's Funds:

The fund financial statements begin on page 10 and provide detailed information on the most significant governmental funds – not the Village as a whole. The Village Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major governmental funds for the 2006-2007 fiscal year include the General Fund, Major Street Fund, Local Street Fund and Fire Special Fund.

Another major fund is the Sewer Fund, which is categorized as an Enterprise or business-type fund. This fund operates on revenues received from the customers (users) of the sewer system.

General Fund Budgetary Highlights:

Over the course of the year, the Village amended the budget to take into account various expenditures or revenue changes. These amendments were relatively minor.

Capital Assets and Debt Administration:

During the 2006-2007 fiscal year, the Village invested approximately \$118,000 in governmental capital assets, which included streetscape, street work, and the purchase of other equipment. The Village's investment in business-type capital assets was approximately \$603,000, which included two new sewer lines and the purchase of a gator and generator.

During the 2006-2007 fiscal year, the Village incurred no additions to its long-term debt. The Village reduced its long-term liabilities by approximately \$33,000 during the year.

Economic Factors:

The Village continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the Village is facing in upcoming years. The major sources of revenue for the Village are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the Village's control – taxable value of property in the Village has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the Village in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as health insurance, utility costs, and gasoline expenses.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Village's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Village Manager, 2073 Gates Street, P.O. Box 369, Reese, Michigan 48757.

BASIC FINANCIAL STATEMENTS

VILLAGE OF REESE

STATEMENT OF NET ASSETS

March 31, 2007

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
Assets:			
Cash and cash equivalents	\$ 740,171	\$ 113,054	\$ 853,225
Receivables	98,339	16,352	114,691
Internal balances	1,962	(1,962)	-
Capital assets:			
Nondepreciable capital assets	239,724	51,650	291,374
Depreciable capital assets, net	<u>1,318,122</u>	<u>1,130,352</u>	<u>2,448,474</u>
Total assets	<u>2,398,318</u>	<u>1,309,446</u>	<u>3,707,764</u>
Liabilities:			
Accounts payable and accrued expenses	12,107	350	12,457
Long-term liabilities:			
Due within one year	27,118	-	27,118
Due in more than one year	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total liabilities	<u>144,225</u>	<u>350</u>	<u>144,575</u>
Net assets:			
Invested in capital assets, net of related debt	1,425,728	1,182,002	2,607,730
Restricted for:			
Streets	214,201	-	214,201
Unrestricted	<u>614,164</u>	<u>127,094</u>	<u>741,258</u>
Total net assets	<u>\$ 2,254,093</u>	<u>\$ 1,309,096</u>	<u>\$ 3,563,189</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
Functions/Programs	<u>Expenses</u>				
<i>Governmental activities:</i>					
General government	\$ 148,254	\$ 27,620	\$ -	\$ -	\$ (120,634)
Public safety	245,980	16,165	23,410	3,000	(203,405)
Public works	351,100	163,898	156,383	-	(30,819)
Community and economic development	4,366	275	-	-	(4,091)
Recreation and culture	32,786	370	19,609	-	(12,807)
Interest on long-term debt	8,147	-	-	-	(8,147)
Total governmental activities	<u>\$ 790,633</u>	<u>\$ 208,328</u>	<u>\$ 199,402</u>	<u>\$ 3,000</u>	<u>\$ (379,903)</u>
<i>Business-type activities:</i>					
Sewer	<u>\$ 118,100</u>	<u>\$ 109,709</u>	<u>\$ -</u>	<u>\$ 497,503</u>	<u>\$ 489,112</u>
Total business-type activities	<u>\$ 118,100</u>	<u>\$ 109,709</u>	<u>\$ -</u>	<u>\$ 497,503</u>	<u>\$ 489,112</u>

The accompanying notes are an integral part of these financial statements.

	<i><u>Governmental Activities</u></i>	<i><u>Business- type Activities</u></i>	<i><u>Total</u></i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (379,903)	\$ 489,112	\$ 109,209
General revenues:			
Taxes:			
Property taxes, levied for general purpose	280,715	-	280,715
Property taxes, levied for fire apparatus	24,969	-	24,969
Property taxes, levied for sidewalks	24,379	-	24,379
Grants and contributions not restricted to specific programs	138,367	-	138,367
Unrestricted investment earnings	31,306	6,450	37,756
Special item - Gain on sale of capital asset	300	127	427
Transfers	(3,842)	3,842	-
Total general revenues, special items, and transfers	<u>496,194</u>	<u>10,419</u>	<u>506,613</u>
Change in net assets	116,291	499,531	615,822
Net assets, beginning of year	<u>2,137,802</u>	<u>809,565</u>	<u>2,947,367</u>
Net assets, end of year	<u>\$ 2,254,093</u>	<u>\$ 1,309,096</u>	<u>\$ 3,563,189</u>

VILLAGE OF REESE

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2007

	<i>Major Governmental Funds</i>					
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Fire Special Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:						
Cash and cash equivalents	\$ 472,250	\$ 128,365	\$ 32,904	\$ 27,349	\$ 79,303	\$ 740,171
Taxes receivable	3,686	-	-	330	323	4,339
Accounts receivable	19,655	-	-	-	-	19,655
Due from other governmental units	18,833	15,179	40,333	-	-	74,345
Due from other funds	5,507	2,025	-	-	2,247	9,779
Total assets	<u>\$ 519,931</u>	<u>\$ 145,569</u>	<u>\$ 73,237</u>	<u>\$ 27,679</u>	<u>\$ 81,873</u>	<u>\$ 848,289</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 8,031	\$ 16	\$ -	\$ -	\$ 1,095	\$ 9,142
Due to other governmental units	570	-	-	-	-	570
Due to other funds	-	1,950	2,639	2,247	981	7,817
Deposits payable	-	-	-	-	100	100
Total liabilities	<u>8,601</u>	<u>1,966</u>	<u>2,639</u>	<u>2,247</u>	<u>2,176</u>	<u>17,629</u>
Fund balances:						
Unreserved:						
General fund	511,330	-	-	-	-	511,330
Special revenue funds	-	143,603	70,598	25,432	79,697	319,330
Total fund balances	<u>511,330</u>	<u>143,603</u>	<u>70,598</u>	<u>25,432</u>	<u>79,697</u>	<u>830,660</u>
Total liabilities and fund balances	<u>\$ 519,931</u>	<u>\$ 145,569</u>	<u>\$ 73,237</u>	<u>\$ 27,679</u>	<u>\$ 81,873</u>	<u>\$ 848,289</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2007

Total fund balances for governmental funds \$ 830,660

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	2,407,831	
Less accumulated depreciation	<u>(849,985)</u>	1,557,846

Interest payable in the governmental activities are not payable from current
resources and therefore are not reported in the governmental funds. (2,295)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Bond payable	(115,000)	
Note payable	<u>(17,118)</u>	<u>(132,118)</u>

Net assets of governmental activities #NAME?

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	<i>Major Governmental Funds</i>					
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Fire Special Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:						
Property taxes	\$ 280,715	\$ -	\$ -	\$ 24,969	\$ 24,379	\$ 330,063
Licenses and permits	400	-	-	-	-	400
State grants	139,577	85,219	26,017	-	-	250,813
Contributions from other units	500	1,215	35,679	-	35,520	72,914
Charges for services	135,895	-	-	-	13,800	149,695
Fines and forfeits	135	-	-	-	-	135
Interest and rents	64,225	6,346	3,644	884	8,165	83,264
Other revenue	42,718	16,319	-	6,513	6,029	71,579
Total revenues	<u>664,165</u>	<u>109,099</u>	<u>65,340</u>	<u>32,366</u>	<u>87,893</u>	<u>958,863</u>
Expenditures:						
Current						
General government	145,273	-	-	-	-	145,273
Public safety	146,276	-	-	13,205	39,647	199,128
Public works	224,010	77,440	29,598	-	5,153	336,201
Community and economic development	4,366	-	-	-	-	4,366
Recreation and culture	4,790	-	-	-	28,932	33,722
Other	3,362	-	-	-	-	3,362
Capital outlay	17,881	61,864	55,794	3,847	4,893	144,279
Debt service						
Principal	15,270	-	-	17,636	-	32,906
Interest and fees	7,225	-	-	1,425	-	8,650
Total expenditures	<u>568,453</u>	<u>139,304</u>	<u>85,392</u>	<u>36,113</u>	<u>78,625</u>	<u>907,887</u>
Excess (deficiency) of revenues over expenditures	<u>95,712</u>	<u>(30,205)</u>	<u>(20,052)</u>	<u>(3,747)</u>	<u>9,268</u>	<u>50,976</u>
Other financing sources (uses):						
Transfers from other funds	-	-	-	12,000	36,777	48,777
Transfers to other funds	<u>(36,777)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,842)</u>	<u>(52,619)</u>
Total other financing sources (uses)	<u>(36,777)</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>20,935</u>	<u>(3,842)</u>
Net change in fund balances	58,935	(30,205)	(20,052)	8,253	30,203	47,134
Fund balances, beginning of year	<u>452,395</u>	<u>173,808</u>	<u>90,650</u>	<u>17,179</u>	<u>49,494</u>	<u>783,526</u>
Fund balances, end of year	<u>\$ 511,330</u>	<u>\$ 143,603</u>	<u>\$ 70,598</u>	<u>\$ 25,432</u>	<u>\$ 79,697</u>	<u>\$ 830,660</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2007

Net change in fund balances - total governmental funds \$ 47,134

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	118,488	
Less depreciation expense	<u>(82,740)</u>	35,748

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 32,906

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds and notes	<u>503</u>
---	------------

Change in net assets of governmental activities \$ 116,291

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

PROPRIETARY FUND **STATEMENT OF NET ASSETS**

March 31, 2007

	<u><i>Sewer Fund</i></u>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 113,054
Accounts receivable	16,352
Due from other funds	<u>411</u>
Total current assets	<u>129,817</u>
<i>Noncurrent assets:</i>	
Capital assets:	
Nondepreciable capital assets	51,650
Depreciable capital assets, net	<u>1,130,352</u>
Total noncurrent assets	<u>1,182,002</u>
Total assets	<u>1,311,819</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable	350
Due to other funds	<u>2,373</u>
Total current liabilities	<u>2,723</u>
Total liabilities	<u>2,723</u>
Net assets:	
Invested in capital assets, net of related debt	1,182,002
Unrestricted	<u>127,094</u>
Total net assets	<u>\$ 1,309,096</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2007

	<u><i>Sewer Fund</i></u>
Operating revenues:	
Charges for services	\$ 104,458
Equipment rental	4,566
Other	<u>685</u>
Total operating revenues	<u>109,709</u>
Operating expenses:	
Personnel	21,924
Fringe benefits	7,564
Supplies	3,731
Contracted services	16,141
Administrative expense	10,000
Printing and publishing	87
Insurance	7,881
Utilities	3,293
Repairs and maintenance	2,759
Equipment rental	10,421
Other services and supplies	1,943
Depreciation	<u>32,356</u>
Total operating expenses	<u>118,100</u>
Operating income (loss)	<u>(8,391)</u>
Non-operating revenues (expenses):	
Interest income	6,450
Gain on sale of capital assets	<u>127</u>
Total non-operating revenues (expenses)	<u>6,577</u>
Net income (loss) before contributions and transfers	(1,814)
Capital contributions	497,503
Transfers in	<u>3,842</u>
Net income (loss)	499,531
Net assets, beginning of year	<u>809,565</u>
Net assets, end of year	<u><u>\$ 1,309,096</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

PROPRIETARY FUND **STATEMENT OF CASH FLOWS**

Year Ended March 31, 2007

	<i>Sewer Fund</i>
Cash flows from operating activities:	
Receipts from customers	\$ 100,111
Receipts from interfund services	4,087
Payments to employees	(21,924)
Payments to suppliers	<u>(63,470)</u>
Net cash provided by operating activities	<u>18,804</u>
Cash flows from non-capital financing activities:	
financing activities:	
Operating transfers	<u>3,842</u>
Net cash provided by non-capital financing activities	<u>3,842</u>
Cash flows from capital and related financing activities:	
Capital contributions	497,503
Proceeds from sale of capital assets	2,750
Acquisition and construction of capital assets	<u>(606,243)</u>
Net cash used by capital and related financing activities	<u>(105,990)</u>
Cash flows from investing activities:	
Interest	<u>6,450</u>
Net cash provided by investing activities	<u>6,450</u>
Net increase in cash and cash equivalents	(76,894)
Cash and cash equivalents, beginning of year	<u>189,948</u>
Cash and cash equivalents, end of year	<u><u>\$ 113,054</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (8,391)
Adjustments:	
Depreciation	32,356
Change in assets and liabilities:	
Accounts receivable	(5,032)
Due from other funds	(311)
Accounts payable	350
Due to other funds	<u>(168)</u>
Net cash provided by operating activities	<u><u>\$ 18,804</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2007

	<i>Pension Trust Fund</i>
Assets:	
Cash and cash equivalents	\$ 217,633
Total assets	<u>217,633</u>
Net Assets:	
Held in trust for employee pension	<u>217,633</u>
Total net assets	<u>\$ 217,633</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF REESE

FIDUCIARY FUND

STATEMENT OF CHANGES IN NET ASSETS

Year Ended March 31, 2007

	<i>Pension Trust Fund</i>
Additions:	
Employer contributions	\$ 18,125
Investment income (loss)	17,805
Other	<u>478</u>
Total additions	<u>36,408</u>
Deductions:	
Distributions and other	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease)	36,408
Net assets, beginning of year	<u>181,225</u>
Net assets, end of year	<u><u>\$ 217,633</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Reese is a general law village. The Village operates on a Council-Manager form of government and provides services to approximately 1,500 citizens.

The accounting policies of the Village of Reese conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units required to be included in the Village's reporting entity.

Joint Ventures:

Blumfield-Reese Water Authority – The Village of Reese and Blumfield Township jointly established the Blumfield-Reese Water Authority in 1968. The Authority was organized in order to construct, operate and maintain certain water storage, transmission and distribution facilities and to provide the two municipalities with water it purchases from the City of Saginaw. The Village and the Township have provided financial backing for various debt obligations of the Authority. Separate financial statements can be obtained by contacting the Blumfield-Reese Water Authority, 12810 East Washington, Reese, Michigan 48757.

Fire Agreement – The Village and Blumfield Township entered into an operating agreement for the purpose of establishing a fire protection system. The expenses related to this agreement are to be shared by the Village and Blumfield Township as designated by the agreement. This agreement shall continue in effect for three years and will automatically renew for successive one year periods. The Village's costs related to this fire agreement are accounted for in the Fire Department Fund, a Special Revenue Fund.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Local Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village.

The **Fire Special Fund** is used to account for the special voted tax millage for fire apparatus.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

The Village reports the following major enterprise fund:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

Additionally, the Village reports the following fiduciary fund type:

The **Pension Trust Fund** accounts for the activities of the Village's retirement plan which accumulates resources for pension benefit payments on a defined contribution basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments with a maturity when purchased of three months or less.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-50 years
Furniture and equipment	5-10 years
Infrastructure	50 years
Land improvements	20 years
Machinery and equipment	5-25 years
Vehicles	8-15 years

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Compensated Absences – Employees are not allowed to accumulate vacation and sick days; therefore, no liability is recorded in the government-wide financial statements and the proprietary fund financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Properties are assessed as of December 31. The related property taxes become a lien on July 1 of the following year. These taxes are billed on September 15 with the final collection date of March 1 before they are added to the county tax rolls.

The 2006 taxable valuation of the Village totaled \$25,763,686 for Tuscola County and \$126,535 for Saginaw County, on which ad valorem taxes levied consisted of 10.5000 mills for the Village’s operating purposes, .9309 mills for sidewalks, and .9534 for fire apparatus. The sidewalks and fire apparatus are both special voted millages.

The delinquent real property taxes of the Village are purchased by Tuscola County and Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Final</u>	<u>Actual</u>	<u>Excess</u>
Expenditures:			
<i>General Fund:</i>			
Current			
Public safety	\$ 145,190	\$ 146,276	\$ 1,086
Public works	221,602	224,010	2,408
Recreation and culture	4,692	4,790	98
<i>Major Street Fund:</i>			
Current			
Public works	62,743	77,440	14,697
Capital outlay	17,400	61,864	44,464
<i>Local Street Fund:</i>			
Current			
Public works	25,267	29,598	4,331
Capital outlay	15,850	55,794	39,944
<i>Fire Special Fund:</i>			
Current			
Public safety	8,250	13,205	4,955
Capital outlay	-	3,847	3,847

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

The Village's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$867,124 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$205,108 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Village had no investments at March 31, 2007.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<i>April 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2007</i>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 239,724	\$ -	\$ -	\$ 239,724
Depreciable capital assets				
Buildings and improvements	908,603	-	-	908,603
Construction in progress - infrastructure	18,309	43,554	-	61,863
Furniture and equipment	48,897	-	-	48,897
Infrastructure	123,157	55,794	-	178,951
Land improvements	38,917	-	-	38,917
Machinery and equipment	555,693	19,140	(2,500)	572,333
Site improvements	10,069	-	-	10,069
Vehicles	348,474	-	-	348,474
Total depreciable capital assets	2,052,119	118,488	(2,500)	2,168,107
Accumulated depreciation	(769,745)	(82,740)	2,500	(849,985)
Depreciable capital assets, net	1,282,374	35,748	-	1,318,122
Governmental activities, capital assets, net	<u>\$ 1,522,098</u>	<u>\$ 35,748</u>	<u>\$ -</u>	<u>\$ 1,557,846</u>

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

	<u>April 1,</u> <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31,</u> <u>2007</u>
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 51,650	\$ -	\$ -	\$ 51,650
Depreciable capital assets:				
Collection system	890,679	571,104	-	1,461,783
Land improvements	9,103	-	-	9,103
Machinery and equipment	138,007	35,139	(10,479)	162,667
Treatment facilities	440,416	-	-	440,416
Total depreciable capital assets	1,478,205	606,243	(10,479)	2,073,969
Accumulated depreciation	(919,117)	(32,356)	7,856	(943,617)
Depreciable capital assets, net	559,088	573,887	(2,623)	1,130,352
Business-type activities, capital assets, net	<u>\$ 610,738</u>	<u>\$ 573,887</u>	<u>\$ (2,623)</u>	<u>\$ 1,182,002</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 9,165
Public safety	41,212
Public works	28,468
Recreation and culture	<u>3,895</u>
Total governmental activities	<u>\$ 82,740</u>
Business-type activities:	
Sewer	<u>\$ 32,356</u>
Total business-type activities	<u>\$ 32,356</u>

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, there was no deferred revenue.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Installment purchase agreements are also general obligations of the government.

Long-term liabilities at March 31, 2007 consisted of the following:

<i>Types of Indebtedness</i>	<i>Maturity</i>	<i>Interest Rates</i>	<i>Principal Installments</i>	<i>Original Issue Amount</i>	<i>Outstanding at Year-End</i>
Governmental activities:					
<i>General Obligation Bonds:</i>					
1996 Issue-Building Authority Bonds	6/1/96-6/1/16	5.60%	\$10,000-15,000	\$175,000	\$115,000
<i>Capital Lease Agreement:</i>					
2004 Crown Victoria	7/9/04-7/9/06	5.50%	4,995-5,270	20,265	-
<i>Note Payable:</i>					
Fire Truck	12/15/02-12/15/07	4.10%	16,927-17,636	99,596	17,118

The following is a summary of long-term liabilities transactions for the year ended March 31, 2007:

	<i>April 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2006</i>	<i>Due Within One Year</i>
Governmental activities:					
1996 Issue - Building Authority Bonds	\$ 125,000	\$ -	\$ (10,000)	\$ 115,000	\$ 10,000
Capital Lease Agreement	5,270	-	(5,270)	-	-
Note Payable	34,754	-	(17,636)	17,118	17,118
Total governmental activities					
- long-term liabilities	<u>\$ 165,024</u>	<u>\$ -</u>	<u>\$ (32,906)</u>	<u>\$ 132,118</u>	<u>\$ 27,118</u>

Annual debt service requirements to maturity for the above debt obligations are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>		
<i>March 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 27,118	\$ 6,700	\$ 33,818
2009	10,000	5,453	15,453
2010	10,000	4,908	14,908
2011	10,000	4,363	14,363
2012	10,000	3,817	13,817
2013-2017	<u>65,000</u>	<u>9,679</u>	<u>74,679</u>
	<u>\$ 132,118</u>	<u>\$ 34,920</u>	<u>\$ 167,038</u>

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
Receivables:		
Property taxes	\$ 4,339	\$ -
Accounts	19,655	16,352
Intergovernmental	<u>74,345</u>	<u>-</u>
Total receivables	<u><u>\$ 98,339</u></u>	<u><u>\$ 16,352</u></u>
Accounts payable and accrued expenses:		
Accounts	\$ 9,142	\$ 350
Accrued interest	2,295	-
Deposits	100	-
Intergovernmental	<u>570</u>	<u>-</u>
Total accounts payable and accrued expenses	<u><u>\$ 12,107</u></u>	<u><u>\$ 350</u></u>

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at March 31, 2007 is as follows:

<i><u>Receivable Fund</u></i>	<i><u>Payable Fund</u></i>	<i><u>Amount</u></i>
Fund Financial Statements:		
General Fund	Major Street Fund	\$ 1,780
General Fund	Local Street Fund	557
General Fund	Parks and Recreation Fund	170
General Fund	Sidewalk Construction Fund	627
General Fund	Sewer Fund	2,373
Major Street Fund	Local Street Fund	2,025
Fire Department Fund	Fire Special Fund	2,247
Sewer Fund	Major Street Fund	170
Sewer Fund	Local Street Fund	57
Sewer Fund	Parks and Recreation Fund	128
Sewer Fund	Sidewalk Construction Fund	<u>56</u>
		<u><u>\$ 10,190</u></u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Fund Financial Statements:		
General Fund	Parks and Recreation Fund	\$ 14,500
General Fund	Fire Department Fund	22,277
Fire Department Fund	Fire Special Fund	12,000
Parks and Recreation Fund	Sewer Fund	3,842
		<u>\$ 52,619</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village is a member of the Michigan Municipal League sponsored self insurance/public entity risk pool. The Village pays annual premiums to the respective pools for general liability, auto, and workers' compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provide coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

VILLAGE OF REESE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Village provides pension benefits for all of its employees through a defined contribution plan administered by Lincoln Financial Advisors. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after ½ year of service from the date of employment. Annual contributions to the plan are 10% of the annual earnings, excluding overtime and other extraordinary compensation, of the eligible participating employees. The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. Voluntary employee contributions are not permitted under the terms of the plan.

The required and actual contribution for the year was \$18,125.

The plan holds no security of the employer or any related party.

Post Employment Benefits:

The Village provides no post employment benefits to retirees.

Deferred Compensation Plan:

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees who are full-time and permanent part-time over the age of 21, permits them to defer a portion of their current salary until future years.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF REESE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 273,426	\$ 273,426	\$ 280,715	\$ 7,289
Licenses and permits	-	-	400	400
State grants	142,373	142,373	139,577	(2,796)
Contributions from other units	-	-	500	500
Charges for services	124,580	124,580	135,895	11,315
Fines and forfeits	500	500	135	(365)
Interest and rents	39,436	39,436	64,225	24,789
Other revenue	15,400	15,400	42,718	27,318
Total revenues	595,715	595,715	664,165	68,450
Expenditures:				
Current				
General government	146,793	147,477	145,273	(2,204)
Public safety	145,190	145,190	146,276	1,086
Public works	219,962	221,602	224,010	2,408
Community and economic development	4,454	4,454	4,366	(88)
Recreation and culture	3,757	4,692	4,790	98
Other	4,301	4,301	3,362	(939)
Capital outlay	185,850	185,850	17,881	(167,969)
Debt service				
Principal	20,168	17,593	15,270	(2,323)
Interest and fees	7,433	7,433	7,225	(208)
Total expenditures	737,908	738,592	568,453	(170,139)
Excess (deficiency) of revenues over expenditures	(142,193)	(142,877)	95,712	238,589
Other financing sources (uses):				
Transfers to other funds	(36,777)	(36,777)	(36,777)	-
Total other financing sources (uses)	(36,777)	(36,777)	(36,777)	-
Net change in fund balance	(178,970)	(179,654)	58,935	238,589
Fund balance, beginning of year	452,395	452,395	452,395	-
Fund balance, end of year	\$ 273,425	\$ 272,741	\$ 511,330	\$ 238,589

VILLAGE OF REESE

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
State grants	\$ 86,300	\$ 86,300	\$ 85,219	\$ (1,081)
Contributions from other units	21,845	21,845	1,215	(20,630)
Interest and rents	900	900	6,346	5,446
Other revenue	200	200	16,319	16,119
Total revenues	109,245	109,245	109,099	(146)
Expenditures:				
Current				
Public works	62,743	62,743	77,440	14,697
Capital outlay	17,400	17,400	61,864	44,464
Total expenditures	80,143	80,143	139,304	59,161
Net change in fund balance	3,463	3,463	(30,205)	(33,668)
Fund balance, beginning of year	173,808	173,808	173,808	-
Fund balance, end of year	\$ 177,271	\$ 177,271	\$ 143,603	\$ (33,668)

VILLAGE OF REESE

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
State grants	\$ 30,210	\$ 30,210	\$ 26,017	\$ (4,193)
Contributions from other units	9,900	9,900	35,679	25,779
Interest and rents	2,000	2,000	3,644	1,644
Total revenues	42,110	42,110	65,340	23,230
Expenditures:				
Current				
Public works	25,267	25,267	29,598	4,331
Capital outlay	15,850	15,850	55,794	39,944
Total expenditures	41,117	41,117	85,392	44,275
Net change in fund balance	993	993	(20,052)	(21,045)
Fund balance, beginning of year	90,650	90,650	90,650	-
Fund balance, end of year	<u>\$ 91,643</u>	<u>\$ 91,643</u>	<u>\$ 70,598</u>	<u>\$ (21,045)</u>

VILLAGE OF REESE

SPECIAL REVENUE FUND – FIRE SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 22,929	\$ 22,929	\$ 24,969	\$ 2,040
Interest and rents	56	56	884	828
Other revenue	442	442	6,513	6,071
Total revenues	23,427	23,427	32,366	8,939
Expenditures:				
Current				
Public safety	8,250	8,250	13,205	4,955
Capital outlay	-	-	3,847	3,847
Debt service				
Principal	16,000	17,636	17,636	-
Interest and fees	3,400	1,764	1,425	(339)
Total expenditures	27,650	27,650	36,113	8,463
Excess (deficiency) of revenues over expenditures	(4,223)	(4,223)	(3,747)	476
Other financing sources:				
Transfers from other funds	4,492	4,492	12,000	7,508
Total other financing sources	4,492	4,492	12,000	7,508
Net change in fund balance	269	269	8,253	7,984
Fund balance, beginning of year	17,179	17,179	17,179	-
Fund balance, end of year	\$ 17,448	\$ 17,448	\$ 25,432	\$ 7,984

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF REESE

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2007

Current Taxes:

Property taxes	\$ 275,016
Trailer tax	670
Penalties and interest on taxes	1,753
Administration fees	3,276
	<u>280,715</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>400</u>
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State Grants:

Liquor license fees	1,210
State revenue sharing - sales tax	138,367
	<u>139,577</u>

Contribution from other units:

Contributions from other local units	<u>500</u>
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Charges for services:

Refuse collection fees	115,166
Copies	28
Police services and reports	830
Zoning fees	275
Other	50
Charges to other funds	19,546
	<u>135,895</u>

Fines and forfeits:

Ordinance fines	<u>135</u>
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Interest and rents:

Interest	17,468
Equipment rental	43,771
Rents	2,986
	<u>64,225</u>

Other Revenue:

Proceeds from sale of capital assets	300
Contributions and donations	5,000
Reimbursements	36,067
Refunds and rebates	1,351
	<u>42,718</u>
Total revenues	<u>\$ 664,165</u>

VILLAGE OF REESE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2007

Expenditures:

General Government:

Council:

Personnel	\$ 3,240
Fringe benefits	405
Insurance	550
Other	1,433
	<u>5,628</u>

President:

Personnel	1,300
Fringe benefits	99
Other	131
	<u>1,530</u>

Manager:

Personnel	50,120
Fringe benefits	24,057
Supplies	62
Telephone	372
Dues and memberships	444
Insurance	11
Other	569
	<u>75,635</u>

Clerk:

Personnel	29,547
Fringe benefits	4,104
Supplies	1,739
Contracted services	435
Telephone	1,433
Dues and memberships	1,068
Printing and publications	1,513
Insurance	452
Repairs and maintenance	1,227
Other	1,280
	<u>42,798</u>

Audit:

Contracted services	<u>2,561</u>
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Treasurer:

Personnel	2,808
Fringe benefits	215
Supplies	234
Contracted services	735
Other	376
	<u>4,368</u>

VILLAGE OF REESE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2007

Expenditures, continued:

General Government, continued:

Building and Grounds:

Supplies	183
Insurance	553
Utilities	4,691
Repairs and maintenance	5,262
	<hr/>
	10,689

Attorney:

Contracted services	<hr/>
	2,064

Total general government	<hr/>
	145,273

Public Safety:

Police:

Personnel	86,233
Fringe benefits	42,106
Supplies	7,618
Telephone	1,740
Conferences and workshops	859
Insurance	4,382
Repairs and maintenance	2,071
Other	1,267
	<hr/>
	146,276

Public Works:

Department of Public Works:

Personnel	18,807
Fringe benefits	23,780
Supplies	5,297
Telephone	881
Dues and memberships	60
Insurance	3,896
Utilities	2,760
Repairs and maintenance	7,630
Other	353
	<hr/>
	63,464

Drains:

Contracted services	<hr/>
	7,147

Street Lighting:

Utilities	<hr/>
	36,586

VILLAGE OF REESE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2007

Expenditures, continued:

Public Works, continued:

Garbage and Yard Waste:

Personnel	3,481
Fringe benefits	266
Contracted services	102,971
Insurance	370
Equipment rental	9,638
Other	87
	<hr/>
	116,813
	<hr/>
Total public works	224,010

Community and Economic Development:

Planning:

Personnel	400
Fringe benefits	31
Supplies	362
	<hr/>
	793

Economic Development:

Personnel	832
Fringe benefits	4
Equipment rental	376
Other	2,361
	<hr/>
	3,573
	<hr/>
Total community and economic development	4,366

Recreation and Culture:

Parks and Recreation:

Personnel	1,226
Fringe benefits	98
Supplies	140
Contracted services	450
Insurance	40
Utilities	252
Repairs and maintenance	30
Equipment rental	2,554
	<hr/>
	4,790

Other:

Insurance	3,362
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VILLAGE OF REESE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2007

Expenditures, continued:

Capital Outlay:

Public safety	11,068
Public works	<u>6,813</u>
	<u>17,881</u>

Debt Service:

Principal	15,270
Interest and fees	<u>7,225</u>
	<u>22,495</u>

Total expenditures	<u>568,453</u>
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Other Financing Uses:

Transfers to other funds	<u>36,777</u>
Total expenditures and other financing uses	<u>\$ 605,230</u>

VILLAGE OF REESE

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

March 31, 2007

	<i>Fire Department Fund</i>	<i>Parks and Recreation Fund</i>	<i>Park 125 Anniversary Fund</i>	<i>Sidewalk Construction Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 17,343	\$ 8,603	\$ 258	\$ 53,099	\$ 79,303
Taxes receivable	-	-	-	323	323
Due from other funds	<u>2,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,247</u>
Total assets	<u>\$ 19,590</u>	<u>\$ 8,603</u>	<u>\$ 258</u>	<u>\$ 53,422</u>	<u>\$ 81,873</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 1,095	\$ -	\$ -	\$ -	\$ 1,095
Due to other funds	-	298	-	683	981
Deposits payable	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Total liabilities	<u>1,095</u>	<u>398</u>	<u>-</u>	<u>683</u>	<u>2,176</u>
Fund balances:					
Unreserved:					
Special revenue funds	<u>18,495</u>	<u>8,205</u>	<u>258</u>	<u>52,739</u>	<u>79,697</u>
Total fund balances	<u>18,495</u>	<u>8,205</u>	<u>258</u>	<u>52,739</u>	<u>79,697</u>
Total liabilities and fund balances	<u>\$ 19,590</u>	<u>\$ 8,603</u>	<u>\$ 258</u>	<u>\$ 53,422</u>	<u>\$ 81,873</u>

VILLAGE OF REESE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	<i>Fire Department Fund</i>	<i>Parks and Recreation Fund</i>	<i>Park 125 Anniversary Fund</i>	<i>Sidewalk Construction Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ 24,379	\$ 24,379
Contributions from other units	21,920	13,600	-	-	35,520
Charges for services	13,800	-	-	-	13,800
Interest and rents	941	5,352	-	1,872	8,165
Other revenue	20	6,009	-	-	6,029
Total revenues	<u>36,681</u>	<u>24,961</u>	<u>-</u>	<u>26,251</u>	<u>87,893</u>
Expenditures:					
Current					
Public safety	39,647	-	-	-	39,647
Public works	-	-	-	5,153	5,153
Recreation and culture	-	28,932	-	-	28,932
Capital outlay	<u>4,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,893</u>
Total expenditures	<u>44,540</u>	<u>28,932</u>	<u>-</u>	<u>5,153</u>	<u>78,625</u>
Excess (deficiency) of revenues over expenditures	<u>(7,859)</u>	<u>(3,971)</u>	<u>-</u>	<u>21,098</u>	<u>9,268</u>
Other financing sources (uses):					
Transfers in	22,277	14,500	-	-	36,777
Transfers out	<u>(12,000)</u>	<u>(3,842)</u>	<u>-</u>	<u>-</u>	<u>(15,842)</u>
Total other financing sources (uses)	<u>10,277</u>	<u>10,658</u>	<u>-</u>	<u>-</u>	<u>20,935</u>
Net change in fund balances	2,418	6,687	-	21,098	30,203
Fund balances, beginning of year	<u>16,077</u>	<u>1,518</u>	<u>258</u>	<u>31,641</u>	<u>49,494</u>
Fund balances, end of year	<u>\$ 18,495</u>	<u>\$ 8,205</u>	<u>\$ 258</u>	<u>\$ 52,739</u>	<u>\$ 79,697</u>

VILLAGE OF REESE

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

March 31, 2007

BUILDING AUTHORITY BOND SERIES 1996, GENERAL OBLIGATION BOND

Issue dated May 1, 1996 in the amount of	\$	175,000
Less:		
Principal paid in prior years		(50,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at March 31, 2007	\$	<u>115,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due June 1</i>	<i>Interest due June 1</i>	<i>Interest due December 1</i>	<i>Total Annual Requirement</i>
2008	5.60%	\$ 10,000	\$ 3,135	\$ 2,863	\$ 15,998
2009	5.60%	10,000	2,862	2,591	15,453
2010	5.60%	10,000	2,590	2,318	14,908
2011	5.60%	10,000	2,318	2,045	14,363
2012	5.60%	10,000	2,045	1,772	13,817
2013	5.60%	10,000	1,772	1,500	13,272
2014	5.60%	10,000	1,500	1,226	12,726
2015	5.60%	15,000	1,227	818	17,045
2016	5.60%	15,000	818	409	16,227
2017	5.60%	<u>15,000</u>	<u>409</u>	<u>-</u>	<u>15,409</u>
		<u>\$ 115,000</u>	<u>\$ 18,676</u>	<u>\$ 15,542</u>	<u>\$ 149,218</u>

Note: This general obligation bond is paid from the General Fund.

NOTE PAYABLE - FIRE TRUCK

Issue dated October 26, 2001 in the amount of	\$	99,596
Less:		
Principal paid in prior years		(64,842)
Principal paid in current year		<u>(17,636)</u>
Balance payable at March 31, 2007	\$	<u>17,118</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due December 15</i>	<i>Interest due December 15</i>	<i>Total Annual Requirement</i>
2008	4.10%	<u>\$ 17,118</u>	<u>\$ 702</u>	<u>\$ 17,820</u>

Note: This note payable is paid from the Fire Special Fund.

VILLAGE OF REESE

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2007

CAPITAL LEASE AGREEMENT - 2004 FORD CROWN VICTORIA

Issue dated July 9, 2004 in the amount of	\$	20,265
Less:		
Principal paid in prior years		(14,995)
Principal paid in current year		<u>(5,270)</u>
Balance payable at March 31, 2007	\$	<u><u>-</u></u>

Note: This capital lease agreement is paid from the General Fund.